

# **The Impact of an Oil Spill on a Tourism Economy & Effective Business**

## **Restoration**

### **Tourism – Motivations & Emotions**

To begin to understand the impact of an oil spill, its necessary to consider why tourists visit the places they do. Tourism ....

- ...is a want – not a need, it is not something that is necessary,
- ...is an emotional purchase: fulfilling dreams & aspirations, desire, escape, experience/ enjoy different environments, symbol of achievement, buying memories, making statements....
- .... is one of the largest family purchases made each year, meaning that much planning and care is put into the choice of location.
- ... gives almost 25% of its value in anticipation before travel

A holiday is the complete purchase of many different services. A risk in one area or service, the risk of a contaminated beach for example, may impact on the appeal of the whole package.

### **What is a Tourist – Technical Definition**

There are three types of people under the general heading of visitors and tourists:

- Day visitors who stay 4+ hours. These are generally local or regional residents.
- Short stay visitors staying 1 to 3 days, who are generally residents from up to 1.5 to 2 hour drivetime
- Long stay holiday makers who stay from 4 to 28 days – generally from 2+ hour drive or travel time

The value profile of each of these different types of visitor is clearly very different. In general for the tourist destination, the short break visitor tends to spend the most per day and is the most valuable type of visitor. Day visitors are low spenders as they do not need accommodation and stay for a much shorter period.

### **Reasons for Visits**

There are many different reasons that generate tourism visits. These include beach and coastal holidays, seafood consumption particularly in parts of Asia, sports & activities such as leisure sea fishing and boat trips, business meetings under the MICE umbrella: Meetings, Incentives, Conferences and Exhibitions, religious tourism including visits to religious sites or celebrations, culture & the arts, education including language schools or specific studies that are location based, shopping, which has been one of the key drivers of tourism in recent years and gaming.

The impact of a spill will vary by market and location. In some areas a spill would not affect some of the markets, but in others it would. For example gaming is not beach related but some coastal destinations combine the gaming and the beach/coastal attraction.

### **Business Sectors Within the Tourism Industry**

Tourism businesses can cover a wide spectrum of enterprises, including:

- Transport – planes, trains, ferries/boats, cars (fuel, car rental, car parks), cycle hire,
- Accommodation: hotels, motels, B&B's, guest houses, hostels, camp sites, caravan parks, self-catering cottages
- Catering: restaurants, food retailers, cafes, snack bars,

- General retail: supermarkets, chemists, sports shops – e.g fishing equipment retailers, some clothes shops, beach items, souvenir sellers

- Local services: hairdressers, & sports providers: diving schools,

The claim admissibility of each of the above is subject to an individual businesses economic dependency on tourism. The above sectors may therefore become the main claim headings in the event of a spill.

### **The Main Factors Affecting the Degree of Impact of a Spill**

The degree of impact will change according to one or more of the following factors:

- The level of contamination, clearly the greater the level of contamination then the greater degree of impact,

- Media activity and tone of reporting, the more sensationalist the coverage is, the greater the impact will be,

- Timing of the incident. Where an incident occurs during a critical booking period the level of impact may be greatest. An out of season spill may cause a very different economic loss.

- Origin of visitors: international, national, regional. Regional and domestic market locations should be impacted less as a result of the relative ease of communication with potential visitors. In contrast international visitors have a greater range of alternative holidays to choose from and may be less inclined 'to take a risk'.

- Purpose of visits: sea food, sea based leisure activity. Activity that takes place in the affected sea water or includes the consumption of sea food from an affected area will clearly have a greater level of impact.on visitation,

- Visitor culture: eco-awareness. It was evident during the Erika incident that nationals from more eco-aware countries were more resistant to returning to the affected area following the spill,
- Effectiveness of mitigation marketing activity, including the targeting of messages at the right audience in the right locations,

### **Key Tourism Data to Track the Impact of a Spill**

The level of data available to assist in assessing the impact of a spill varies tremendously from country to country. Key data that we have used in various spills includes:

- Road, rail, air, boat traffic information, car park users data,
- Local vehicle fuel purchases.
- Area hotel occupancy levels & local/regional visitor surveys
- Tourism volume and value studies & visitor numbers at local attractions,
- Booking records from agencies,
- Local area tax revenues & rubbish/ waste volumes.
- Cash distribution levels in the local banking sector,
- Internet booking agencies and holiday accommodation consortia operators

### **Tourism Data May Be Imperfect Because...**

Finding data to use to estimate the impact of a spill can be complicated as:

- Most tourism data is produced for pre-determined areas – usually political/ administrative areas and oil spills do not respect the boundaries applied. There is therefore a need to combine or disaggregate information
- There are few visitor checks except at main borders,
- Many individual operators will claim their data is sensitive and the support of the national/ local Government can assist unblocking such problem areas.

- Need to either disaggregate or combine data from several sources.

### **Assessing Economic Loss - Two Methods:**

#### **Top Down:**

- Use average area tourism spends and apply estimates of decline in visitor numbers based on the decline ratios from headline data: traffic counts, car park numbers, accommodation occupancy statistics.

#### **Bottom Up:**

- Based on business counts and capacities: number of bedspaces, restaurant places, activity capacities etc. and the application of average spends.

### **Assessing the Economic Impact on an Individual Tourism Enterprise**

The simple model used recognises changes in revenues over a three year period, where the data is available. The individual steps are:

- Estimate theoretical revenue based on 3 year trend not three year average – enables recognition of growing and declining businesses. Three year averages are blunt weapons as they do not recognise changes in businesses and markets.
- Subtract actual revenue from the theoretical total
- Deduct variable costs, i.e food costs, direct labour, operating and energy costs from estimated loss of revenue
- Add additional costs – i.e. marketing, cleaning, operating inefficiencies.
- The result is the estimated loss, though factors to take other issues into account may be applied.

### **Restoration of Tourism**

Tourism will be restored more quickly where a three prong approach is taken:

#### **Pre-Planning by Coastal Authorities**

- Ensure headline visitor data is collected: Occupancy surveys, visitor counts,

- Encourage businesses to maintain trading data, despite their reluctance!
- Develop visitor databases & marketing data – establish and maintain contact with visitors,
- Appoint an officer to work with businesses and maintain marketing data.

### **Post Spill Activity**

- Communicate & tell the truth. Combat negative/ sensationalist press coverage with believable facts and stories
- Keep business operators informed. Share past histories to overcome fears.
- Identify operators who can influence visitor attitudes.
- Use all communication channels: there are now more mobile applications than desk tops, use modern means for benefits of operators and tourists: social media, bloggers, internet PR agencies.

### **Business Support**

Tourism depends on the success of many small enterprises, many of which have weak financial structures. To ensure tourism survives it is therefore necessary to:

- Make the claim process transparent and simple. Remove all barriers.
- Many tourism businesses are small family businesses. Ensure they are fully aware of the claim process and any interim payment provisions
- Understand that many claimants have no claim experience. These operators need help, and not from 'ambulance chasers'.